The Commission finds that Phase III accounting will be the cumulative ongoing revenue losses and additional annual revenue requirements associated with the new WACPs. Based upon the evidence presented in the above captioned causes, the Commission finds the following Phase III revenue losses and additional revenue requirements to be those which are necessary to provide the new WACPs.

The Commission further finds that the additional toll revenue requirements data below is from Staff's testimony for the Oklahoma City and Lawton causes (Cause Nos. PUD 000975 and 000974, respectively) and from the data request responses prepared by the Oklahoma Rural Telephone Coalition. for Tulsa. The Commission further finds that with the exceptions expressly set out elsewhere in this order, only the intrastate toll pool allocated portion of the additional WACP revenue requirements should be recovered from the Toll Pools.

REVENUE LOSSES & ADD'L REVENUE REQUIREMENTS	TULSA	OKLAHOMA CITY	LAWTON	TOTAL
1. Existing Revenues Eliminated				
Annual Billed Toll/pooled FX	($17,938,195)	($14,620,922)	($1,582,806)	($34,141,923)
2. Rate Design New Annual Revenues (Pooled)	$9,447,981	$1,928,448	$213,228	$11,589,657
3. Additional Annual Toll Revenue Requirements	($1,084,604)	($647,304)	($207,504)	($1,939,412)

b. Revenue Replacement Available for Offsets to Billed Toll Revenue Losses and Additional Revenue Requirements

Based upon the evidence presented in these causes and the Commission's expertise and specialized knowledge in these matters the Commission finds that the new WACPs should be considered toll service arrangements. The WACP usage designated as toll and adjusted to remove the impact of stimulation, as also ordered in Order No. 353263, Cause No. PUD 000692, will be used to allocate cost (investment and expense) to the toll polls.

Consistent with the Staff's recommendations and this Commission's Interim EAS orders, the Commission further finds that revenue replacement should be accomplished through the intrastate toll pools, until an alternative revenue and expense settlement arrangement among the LECs and the Commission Staff is approved by the Commission.

The Commission finds that there are sources of revenue in addition to the Staff's recommendation to spread uniform monthly rate additives over each WACP which collectively, could be used to replace revenue losses and fund the additional annual WACP revenue requirement. First, this Commission finds that all additional revenue generated by increases in implementing the WACP's rate additives as specified in Attachments G, H, and I to this Order will be considered toll and reported to the toll pools by all LECs. Further, any LEC reducing rates as a result of implementing a WACP rate subtractive, as specified in Attachments G, H, and I to this order will report these reduced revenues as an expense to the toll pools. On a combined basis, this rate design will produce over $11,500,000 for inclusion in the intrastate toll and surcharge pools.

Second, the Commission's pending investigation of SWBT's revenue requirements (including SWBT's reserve deficiency amortization) and rates in Cause No. PUD 000662, and the Commission's pending investigation of the effects on GTE-Southwest from the Tax Reform Act of 1986 in Cause No. PUD 000260, may allow a sufficient reduction of costs allocated to the toll pools by these companies to secure the balance of unrecovered lost toll revenues and additional revenue requirements. This will include the investment associated with the expanded calling area designated as toll in connection with WACP implementation. This Commission expects that the changes in the toll pool cost allocation factors for SWBT and GTE-SW necessary to accomplish the Toll Pool recovery of lost revenues will be jointly developed by the companies involved, the Pool Administrator and the Toll Pool Steering Committee with oversight by the Commission Staff. The

Commission will identify the reduction of costs allocated by these companies to the toll pool and will incorporate those reductions in the final orders to be issued in Cause Nos. PUD 000662 (SWBT) and PUD 000260 (GTE-SW).

VII. Implementation Plan

a. Network Rearrangements

The Commission finds that the LECs involved in the provision of the new WACPs should convert the exchanges to be included in the new WACPs as soon as practicable to a seven digit dialing basis. Therefore, the Commission finds the LECs providing the new WACPs should develop and provide to the Commission within 30 days of the date of this order, a joint implementation schedule (Network Rearrangement Report) for each WACP; outlining by exchange and zone the effective dates of the expansions of the flat-rate calling scopes to other exchanges or zones in its WACPs. It is the intention of this Commission that this phase-in implementation be coordinated sufficiently by the LECs involved in providing the services, so that customer confusion is minimized.

b. Rate Design Effective Dates

The Commission finds that the rate design specified for each exchange or zone on the Rate Design Attachments (Attachments G, H, and I) to this order should become effective at the time each exchange or zone has some portion of its calling scope expanded. Since an exchange or zone may have several expansions to its calling scope during the process of implementing the new WACPs, the LECs should also provide the Commission a schedule of rate change (if any) and the effective date for each exchange or zone. This schedule should be an attachment to the Network Rearrangement Report previously referenced.

c. Revenue Sources

This Commission further finds that all LECs should continue efforts to develop intrastate toll settlement alternatives to the current intrastate pools.

Furthermore, the Commission finds that the Oklahoma Toll Pool Administrator, under the oversight of the Oklahoma Toll Pool Steering Committee and the Commission Staff, should review the LEC's lost toll revenue and additional revenue requirements claims associated with WACPs that are to be recovered through the toll pools or the alternative process developed by the LECs.

ORDER

IT IS THEREFORE THE ORDER OF THE OKLAHOMA CORPORATION COMMISSION that the Wide Area Calling Plans set forth in Attachments D, E, and F hereto are hereby adopted.

IT IS FURTHER ORDERED that each Wide Area Calling Plan adopted herein shall allow unlimited two-way calling between all zones and exchanges within its respective Wide Area Calling Plan and the calling shall be furnished on a non-optional basis to all telephone subscribers in the Wide Area Calling Plan.

IT IS FURTHER ORDERED that the rate for all residential and business customers located within the Tulsa and Oklahoma City Wide Area Calling Plans shall be $12.97 and $38.41 per month, respectively, regardless of the current rate and the LEC providing the service; as set forth in Attachment G and H hereto.

IT IS FURTHER ORDERED that the rate for all residential and business customers located within the Lawton Wide area Calling Plan shall be $11.32

and $31.04, respectively, regardless of the current rate and the LEC providing the service; as set forth in Attachment I hereto.

IT IS FURTHER ORDERED that the EAS arrangements previously granted to Collinsville, Skiatook, Claremore, Inola, and Medicine Park, as set forth in the findings herein, shall be replaced by this order and the Wide Area Calling Plans established herein.

IT IS FURTHER ORDERED that the rate design adopted herein shall replace the rate design previously authorized in Order No. 354912 issued in Cause No. PUD 001030 and Order No. 353263 issued in Cause No. PUD 000692; as modified by Order No. 355885 issued in Cause No. PUD 001059.

IT IS FURTHER ORDERED that the rate designs authorized for the Wide Area Calling Plans adopted herein shall be effective at the time each exchange or zone has some portion of its calling scope expanded as set forth in the implementation plan required by this order.

IT IS FURTHER ORDERED that the revenue losses and additional annual revenue requirements created by Interim Orders No. 354912, 353263, and 355885, issued in Cause Nos. PUD 001030, 000692, and 001059, respectively, plus the revenue losses to any LECs in Oklahoma which are caused by the Wide Area Calling Plans adopted herein, shall be replaced using the revenue sources described herein.

IT IS FURTHER ORDERED that the Record in these Causes shall consist of the individual record for each of the above styled causes, in addition to the evidence presented and the orders issued in each of the EAS causes filed with the Commission since 1987.

IT IS FURTHER ORDERED that the toll service in place prior to December 31, 1989 for exchanges and zones which will become part of a Wide Area Calling Plan as a result of this order shall continue to be designated as toll service. The usage, along with any necessary usage adjustment, as ordered in previous EAS orders by the Commission, associated with the non-usage sensitive pricing for toll service within each respective WACP shall continue to be identified as intraLATA toll for purposes of jurisdictional cost allocation to the intraLATA and surcharge pools. Such service shall be priced on a non-usage sensitive pricing basis for calling between all zones and exchanges within each of the respective Wide Area Calling Plans.

IT IS FURTHER ORDERED that with the exception of the local measured service offered by GTE-SW within the Tulsa and Oklahoma City Wide Area Calling Plans, and the Low Use Service Plan offered by SWBT within each of the Wide Area Calling Plans, <u>any</u> basic local service and extended area service within the calling scopes adopted herein shall be repriced by the rate design adopted herein. The traffic shall remain classified as it was before the implementation of the Wide Area Calling Plan, with the inter-company settlements continuing to be as they were prior to implementation of the Wide Area Calling Plan. The increase or decrease of revenues that will occur as the result of the repricing of the basic local service and existing EAS for the Wide Area Calling Plan shall be recorded as either a credit or a debit to the Intrastate Pool revenues.

IT IS FURTHER ORDERED that all existing EAS arrangements within the Wide Area Calling Plans shall be repriced by the rate design and revenue distribution adopted herein.

IT IS FURTHER ORDERED that the LECs involved in the provision of the Wide Area Calling Plans adopted herein shall convert the exchanges included in the calling plans to seven digit dialing, as soon as practicable.

IT IS FURTHER ORDERED that the LECs involved in the provision of the Wide Area Calling Plans adopted herein shall provide to the Commission, within 30 days of the date of this order, a joint implementation schedule

(Network Rearrangement Report) for each Wide Area Calling Plan; which outlines by exchange and zone the effective dates of the expansion of WACP calling scopes to other exchanges or zones in each respective Wide Area Calling Plan and the effective date for any rate changes for each exchange or zone.

IT IS FURTHER ORDERED that the LECs providing service to the Wide Area Calling Plans adopted herein shall file tariffs with the Commission which conform with this order. Said tariffs shall be effective immediately after approval by the Director of the Public Utility Division, and shall be implemented for each zone and exchange within the Wide Area Calling Plans in conformance with the Network Rearrangement Report filed herein.

IT IS FURTHER ORDERED that all LECs shall continue efforts to develop intrastate toll settlement alternatives to the current intraLATA toll and surcharge pools.

CORPORATION COMMISSION OF OKLAHOMA

BOB HOPKINS, Chairman

BOB ANTHONY, Vice-Chairman

Concurs in Part and Dissents in Part
Seperate Opinion attached

J. C. WATTS, JR., Commissioner

DONE AND PERFORMED this 22 day of MAY, 1991.

BY ORDER OF THE COMMISSION:

BERDEE S. HOLT, Secretary

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF LARRY A. SCHROEDER, ACTING DIRECTOR OF THE PUBLIC UTILITY DIVISION, OKLAHOMA CORPORATION COMMISSION, FOR THE DEVELOPMENT OF A COMPREHENSIVE PRICING PLAN FOR THE TULSA EXTENDED TELEPHONE SERVICE AREA.	CAUSE NO. PUD 000899
IN RE: INQUIRY OF THE OKLAHOMA CORPORATION COMMISSION CONCERNING THE DEVELOPMENT OF A COMPREHENSIVE WIDE-AREA CALLING PLAN FOR THE OKLAHOMA CITY EXTENDED TELEPHONE SERVICE AREA.	CAUSE NO. PUD 000975
APPLICATION OF LARRY A. SCHROEDER, ACTING DIRECTOR OF THE PUBLIC UTILITY DIVISION, OKLAHOMA CORPORATION COMMISSION, FOR THE DEVELOPMENT OF A COMPREHENSIVE PRICING PLAN FOR THE LAWTON EXTENDED TELEPHONE SERVICE AREA.	CAUSE NO. PUD 000974 ORDER NO. 357147

SPECIAL OPINION OF J.C. WATTS, JR., COMMISSIONER

J.C. Watts, Jr., Commissioner, Concurring in Part and Dissenting in Part

I concur with the majority's decision today in Cause Nos. PUD 000899, 000975, and 000974 with regard to the adoption of Wide Area Calling Plans for the Tulsa, Oklahoma City, Lawton areas. I also concur with the rate design adopted by the majority herein for the Oklahoma City and Lawton Wide Area Calling Plans. I must respectfully dissent however from the majority's decision with regard to the rate design adopted for the Tulsa Wide Area Calling Plan, because even though the size of the Tulsa and Oklahoma City Wide Area Calling plans are identical, the Tulsa Wide Area Calling Plan will encompass fewer access lines than the Oklahoma City Wide Area Calling Plan, due to the differences in the density of population in the two areas. Accordingly, I would have established a rate of $12.07 and $34.02 for all residential and business customers within the Tulsa Wide Area Calling Plan, respectively, regardless of the telephone company providing the service. This would have the same effect on Tulsa customers as the effect received by Oklahoma City and Lawton customers; a wide area calling plan for the rate currently paid by the telephone customers in the center of the Wide Area Calling Plan.

J. C. WATTS, JR., Commissioner

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF LARRY A. SCHROEDER, ACTING DIRECTOR OF THE PUBLIC UTILITY DIVISION, OKLAHOMA CORPORATION COMMISSION, FOR THE DEVELOPMENT OF A COMPREHENSIVE PRICING PLAN FOR THE TULSA EXTENDED TELEPHONE SERVICE AREA.	)	CAUSE NO. PUD 000899

HEARINGS: May 9, 1990, before Commission en banc
May 17, 1990, Technical Conference
June 7, 1990, before Commission en banc
December 17, 1990, Technical Conference
February 7, 1991, before Commission en banc

APPEARANCES at February 7, 1991 hearing:
Maribeth D. Snapp, Deputy General Counsel, and John W. Gray, Jr., Assistant General Counsel, Oklahoma Corporation Commission
Nancy L. Coats, Attorney for Southwestern Bell Telephone Co.
Cody B. Waddell, Attorney for Oklahoma ALLTEL, ALLTEL Oklahoma, Pine Telephone, Chickasaw Telephone and Oklahoma Communications Systems, Inc.
Ron Comingdeer, Attorney for Oklahoma Rural Telephone Coalition
Bill Bullard, Attorney for Cross Telephone, Pottawatomie Telephone, Choteau Telephone, and Totah Telephone
Nancy McNair Ashmore, Attorney for City of Bixby
Ann Domin, Attorney for INCOG
John Buckingham, Attorney for Collinsville EAS Applicants and Oologah EAS Applicants
Robert D. Butkin, Assistant Attorney General
Ted Moore, Attorney for Inola EAS Applicants and City of Coweta
Neil E. McNeill, Attorney for City of Tulsa
J. Cody Wilbanks, Attorney for General Telephone of the Southwest
Jim Tanner, Attorney for City of Claremore

PROCEDURAL HISTORY

On April 25, 1990, the Commission Staff filed an Application in the above styled cause, requesting that the Commission direct the Staff to initiate a Notice of Inquiry concerning the development of a pricing plan for an expanded calling scope in the Tulsa, Oklahoma area. The Commission en banc conducted a hearing May 9, 1990, pursuant to notice given to all the local exchange companies (LECs) which receive a portion of their revenues from the intrastate toll and surcharge pools and the Attorney General of the State of Oklahoma.

On May 9, 1990, the Commission directed the Commission Staff to file a Notice of Inquiry, as requested at the hearing and in the Staff's Application. This Notice of Inquiry established certain procedural dates for technical conferences, written comments, and hearing on the merits of the Notice of Inquiry. The Notice of Inquiry was published one time in Tulsa county and was mailed to all the LECs which receive revenues from the intrastate toll and surcharge pools, the chief executive officer of each town and city located within the proposed calling scope, and the Attorney General of the State of Oklahoma, as well as the applicants and all parties of record in each then pending EAS cause in the Tulsa area.

"ATTACHMENT A"

Interventions were granted in this cause to the Attorney General of the State of Oklahoma, the City of Bixby, the Indian Nations Council of Governments (INCOG), the cities of Oologah and Collinsville, MCI Telecommunications Corporation, the City of Claremore and the City of Tulsa. The LECs were deemed to be respondents in this cause.

Comments were filed in response to the Notice of Inquiry by INCOG, Chouteau Telephone Co., Totah Telephone Co., Senator Stratton Taylor, the City of Claremore, Oklahoma Communications System, Inc., the Attorney General's office, the City of Bixby, the City of Oologah, the City of Collinsville, General Telephone of the Southwest (GTE-SW), the Oklahoma Rural Telephone Coalition (ORTC), and Southwestern Bell Telephone Company (SWBT).

A technical conference was held June 6, 1990, and thereafter, additional comments were filed by GTE-SW and ORTC. Thereafter, on August 23, 1990, a second technical conference was conducted.

On August 28, 1990, the Commission Staff filed a Second Notice of Inquiry, seeking comments to a proposed calling scope which would consist of all the telephone exchanges served by a rate center which is within a 35 mile radius of the Tulsa Center zone rate center. The Second Notice of Inquiry established procedural dates for technical conferences, written comments, testimony, and a hearing on the merits. The Second Notice of Inquiry was sent to all the LECs, the chief executive officer of each city and town which is located within a telephone exchange served by a rate center within a 35 mile radius of the Tulsa Center Zone rate center, all parties of record, and the applicants in all pending EAS causes in the Tulsa area. Additionally, the Second Notice of Inquiry was published one time in Tulsa County.

Comments to the Second Notice of Inquiry were filed by ORTC, OCSI, Beggs Telephone, SWBT, GTE-SW, MCI, the Oklahoma Independent Communication Association and Keystone Peninsula Property Owners Association. Additionally, the Attorney General filed a Statement of Position.

A technical conference was conducted on December 19, 1990, and thereafter, testimony was filed in this Cause by the Commission Staff, INCOG, ORTC, GTE-SW, and SWBT. On January 25, 1991, the Commission issued a Notice of Hearing Continuance, which continued the hearing on the merits scheduled for January 30, 1991 until February 7, 1991, and rescheduled the meeting place for the hearing from the Commission's Oklahoma City office to the Commission's Tulsa office. Again, everyone who had received a copy of the Second Notice of Inquiry, as noted above, was sent a copy of the Notice of Hearing Continuance.

SUMMARY OF EVIDENCE

WILLIE J. HOLLINS, Telecommunications Coordinator in the Public Utility Division Rate Department, testified on behalf of Commission Staff. Mr. Hollins adopted his prefiled testimony and testified concerning the industry cost and engineering studies in this cause. Mr. Hollins testified that based upon the data he had received from the LECs, the annual toll loss to the toll pools would be $17,368,599. He indicated that this represents data from the fourth quarter ending December 31, 1989, annualized. Mr. Hollins also indicated that implementation of the Tulsa WACP would cause a loss of $777,957 from current foreign exchange service (FX).

Mr Hollins testified that the $17.3 million lost intraLATA toll revenue is currently pooled and shared by the 39 LECs who participate in the intraLATA toll pool. After indicating that Mr. Steve Wilt of the Commission Staff prepared the facilities cost for additional trunking and switching facilities, he indicated that the total cost to provide flat-rate calling within the proposed Tulsa WACP would be $20,594,163 if the service were provided over a dedicated network. Mr. Hollins recommended that the revenues from the Tulsa WACP should be pooled, in order to maintain the authorized pool rate of return.

It was Mr. Hollin's recommendation that uniform rates be adopted in each exchange or zone, by company. This would create different rates for different companies, but each company would have the same rate for all of its exchanges and zones within the Tulsa WACP. He recommended that the exchange rates by company be raised to that company's highest applicable tariffed exchange rate and that an additional rate additive be calculated as required to generate the remainder of the WACP revenue requirement. He further recommended that the additional rate additive be a uniform rate with the business line additive being three times the residential additive. Accordingly, he recommended a rate additive of $2.35 for all residential customers and a rate additive of $7.04 for all business customers in the Tulsa WACP, in addition to the highest applicable tariffed exchange rate for each company.

STEVE WILT, Public Utility Services Coordinator testified on behalf of the Commission Staff. He adopted his prefiled testimony and indicated that he reviewed the engineering costs (switching and trunking) associated with the provision of a Tulsa Wide-Area Calling Plan (WACP). These costs, as provided by each utility as overall estimates, were arrived at by determining the estimated increased usage, and the resulting additional equipment and facilities required. From that the additional equipment costs and associated annual carrying charges were calculated. He indicated that the costs he reviewed were estimates but that they appeared reasonable.

Mr. Wilt indicated that in order to provide a Tulsa WACP as requested in this proceeding, Cimarron Telephone Company proposes to replace six (6) SCXY (Strombreg Carlson XY) central offices with digital central offices, GTE-Southwest, Inc., proposes to replace one (1) SCXY and two (2) SXS (Step-by-Step) central offices with digital central offices, Shidler Telephone Company proposes to replace its SCXY central office with a digital central office, and Southwestern Bell Telephone Company proposes to replace five (5) SXS and two (2) crossbar central offices with digital central offices. The remainder of the exchanges of the eight (8) LECs involved will only need the addition of more carrier channels, cable facilities, and associated ancillary equipment.

Mr. Wilt testified that based upon his review of the information provided by each of the eight (8) LECs, and specifically page 7 of the Oklahoma Rural Telephone Coalition's response to the Oklahoma Corporation Commission's 2nd Notice of Inquiry, he was recommending the following annual switching and trunking costs be used by the Rates Department in this proceeding. These costs are associated with each exchange, and all network Extended Telephone Service routes in between as a combined figure for switching and for trunking. He further indicated that his recommendation is based upon the assumptions of establishing a new network, on a seven-digit dialing basis, with the revenues pooled. If any of these assumptions are changed, he testified that the costs would have to be modified accordingly, and reanalyzed.

Beggs Telephone Company	$3,200
Bixby Telephone Company	$22,257
Cimarron Telephone Company	$303,700
GTE Southwest, Inc.	$413,352
Oklahoma Communication Systems, Inc.	$15,000
Shidler Telephone Company	$129,100
Southwestern Bell Telephone Company	$1,516,140
Totah Telephone Company	$44,858
TOTAL ANNUAL SWITCHING AND TRUNKING COSTS	$2,447,607

THOMAS A. WECKEL, Area Manager - Rates and Tariffs for SWBT in Oklahoma, testified as to SWBT's position regarding the proposed Tulsa WACP. Mr. Weckel adopted his prefiled testimony and testified that SWBT considers the proposed Tulsa WACP similar to that in Oklahoma City, that is, it would be seven-digit dialed and non-optional service for calling anywhere in the proposed calling scope without additional usage charges. Furthermore, Mr. Weckel testified that since the proposed service would be the minimum service that a customer could purchase, SWBT considers it to be a customer's basic service and therefore, local service. In addition, Mr. Weckel testified that the revenues and expenses for such an arrangement should not be pooled in the intrastate pools.

Mr. Weckel also testified as to SWBT's additional costs and proposed rate design to provide the new wide area calling plan. First, the basic monthly rate for SWBT's customers would be increased to $12.97 per line for residence service and $38.41 per line for business service. Second, a monthly surcharge of $1.52 per line for residence service and $4.53 per line for business service would be added to the basic monthly charge. Therefore, the total basic monthly rate for SWBT's subscribers in the proposed Tulsa wide area calling scope would be $14.49 per line for residence customers and $42.94 per line for business customers. Mr. Weckel stated that the proposed rates were comparable to SWBT's Oklahoma City rates for similar service.

Mr. Weckel also testified that customers in the proposed calling scope who are served by other local exchange carriers should have their customer's basic monthly service charge raised to at least SWBT's levels for the same proposed service.

JOHN LUBE, District Manager - Separations and Settlements for SWBT in Oklahoma, adopted his prefiled testimony in this cause and testified that the non-optional Tulsa Extended Telephone Service Area (ETSA) revenue is local revenue, and that this revenue should not be pooled.

He testified that classifying the ETSA revenue as toll is inappropriate. The FCC's Uniform System of Accounts, which is essentially required for all LECs by this Commission, clearly requires this type of non-optional service to be treated as a local service. In addition, the FCC's and the United States Telephone Association's jurisdictional separations procedures treat this service as a local service.

He further testified that it is inappropriate to pool this ETSA revenue, regardless of whether the service is classified as toll or local. Pooling is appropriate only if the pooled services are to be offered under uniform statewide rates. ETSA rates are not uniform statewide rates.

Mr. Lube also testified that pooling the ETSA does not achieve the financial status quo desired by the Staff and other LECs. The pooling impact study made by the industry for the Tulsa ETSA proves that pooling the ETSA in a proper manner does not keep the pools or all LECs whole.

Mr. Lube then testified that the proposal of other LECs to ignore the stimulated ETSA usage, in order to achieve a status quo, is not proper. He explained that this stimulated usage should not be ignored because excluding the stimulated ETSA usage from separations and pooling violates the principle of actual usage specified in the FCC's separations rules. This manipulation of the pooled usage also defeats the purpose for which the pools exist, by preventing the recovery of properly allocated costs.

Mr. Lube further testified that it is also unlikely that a reasonably accurate usage adjustment could be designed and implemented. Because ongoing network usage measurements cannot distinguish between original base usage and new stimulated usage, or between ETSA usage and non-ETSA usage on mixed trunk groups, then surrogates would have to be developed for the pre-ETSA base usage, for the growth of this non-stimulated base usage, and for the normal growth of the non-ETSA usage. It was his opinion that such surrogates would be of questionable accuracy.

DANA T. BOLIN, Area Regulatory and Industry Affairs Director for GTE Southwest, adopted his prefiled testimony. This Testimony indicated that the forty exchanges being considered for inclusion within the Tulsa Wide Area Calling Plan currently pay toll charges for calls into the existing Tulsa metropolitan calling area. All revenues generated by these investments and expenses related to these calls are required to be allocated to the IntraLATA jurisdiction pursuant to IntraLATA Toll Pool Administrative Procedures based on FCC Rules and Regulations.

It was Mr. Bolin's testimony that removing the revenues, investment and expenses associated with Tulsa metropolitan area calling from the Toll Poll and Surcharge Pool when the Tulsa WACP is implemented would have a net adverse effect on all Oklahoma LECs participating in the Toll Pool because of the magnitude of the number of exchanges and amount of revenue involved. Although GTE-SW originally proposed that the Tulsa metropolitan area calling revenues be treated as local revenues and excluded from the Toll Pool (when the proposed calling scope only included twenty-three exchanges) because of the significant adverse impact on the Toll Pool caused by loss of revenue from forty exchanges and the ensuing rate shock that would occur if the LECs were required to increase rates to offset losses to the Toll Pool, GTE-SW believes the revenues associated with Tulsa metropolitan area calling should remain in the Toll Pool for the short term future, until the broader issue of pooling of revenues is resolved in Cause No. PUD 000326.

RICHARD L. LIMBACHER, witness for GTE-SW, testified that the proposed Tulsa wide area calling scope, as amended, encompasses interexchange calling for a total of forty (40) exchanges and zones, served by eight (8) different Local Exchange Carriers (LECs), whose rate centers are within thirty-five (35) airlines miles of the Tulsa Center Zone.

He stated that GTE-SW's traffic studies indicated a lack of community of interest for the majority of the interexchange routes included in the proposed calling scope. The studies indicate that only two GTE-SW - originating routes, Coweta to Broken Arrow and Coweta to Tulsa Center Zone, satisfy the EAS community of interest standards established by this Commission and docketed separately in Cause No. PUD 000660. He stated that Order No. 349050 issued July 31, 1989 directed that EAS for Coweta was to be established no later than July 25, 1991. However, he admitted that the proper rate design was deferred pending the outcome of the instant case.

He testified that the GTE-SW annual amount of lost billed revenues are $3,238,908.96, including both interLATA Message Telecommunication Service (MTS) and Foreign Exchange (FX) Service.

He further testified the interexchange networking rearrangements/ additions required of GTE-SW were identified under two (2) different sets of assumptions; 1) the Tulsa WACP traffic would be added to the existing toll network and, 2) the Tulsa WACP traffic would be placed on its own separate, dedicated network. Even though it would be slightly more expensive, Mr. Limbacher recommended the separate, dedicated network.

He testified that regardless of network configuration, GTE-SW would be required to replace three (3) of its central offices to support the proposed Tulsa WACP. Also, he noted that all three (3) central office replacements are unplanned, capital improvements which would require a minimum of eighteen (18) months to engineer and complete. Under Mr. Limbacher's recommended approach, the unseparated cost of these networking considerations will be $4,475,739.00 in capitalized expenditures and $151,800.00 in one-time expensed activities. Mr. Limbacher also identified additional items for consideration such as the initial cost of customer notification (estimated to be $26,054.50) and the annual recurring cost of foreign white pages (estimated to be $51,066.00).

He testified that GTE-SW developed rates and charges under each pooling scenario contemplated in this Application. He stated that recovery of the additional revenue requirements created by the new investments, shifts in embedded revenue requirements caused by the estimated stimulation in usage, and sufficient replacement revenues to cover all lost billed toll revenues, were included in GTE-SW's costing analysis. Mr. Limbacher testified that GTE-SW's rate design consisted of exchange rate group reclassifications, monthly EAS rate additives to fully recover all GTE-SW-specific costs, and monthly EAS rate additives that would maintain the intrastate pools' rates of return which would be uniform across all forty (40) exchanges and zones included in the Tulsa WACP.

PETER MCMANAMON, President of Cyberlink Corporation, testified on behalf of INCOG. Mr. McManamon testified that the Commission should use a stimulation factor of 3.0 instead of the 4.5 stimulation factor used by the telephone companies, when calculating projected traffic and associated costs for the Tulsa WACP. He further indicated that the replacement costs provided by the LECs are too high, both because the stimulation factor is too high and because only a portion of the cost of switch replacement should be attributed to the WACP, with the remainder of the switch replacement cost allocated to other factors such as equal access provision requirements or future unstimulated growth. It was his belief that only 30-40% of the total cost for switch replacement should be allocated to the WACP and he recommended that the LECs be required to identify and justify the portion of switch replacement allocated to the WACP.

Mr. McManamon also recommended that a special rate be developed for fixed income and economically disadvantaged customers and that such a system be administered by appropriate social service agencies.

C. ROGER HUTTON, Consultant to the Oklahoma Rural Telephone Coalition, adopted his prefiled testimony in this cause. He testified that he is an expert on telephone issues including Bell/independent relations, development of cost, pricing and intercompany compensation for EAS arrangements between SWBT and the independent telephone companies, network, engineering and revenue.

Mr. Hutton testified that it is the recommendation of the ORTC that the rates established in this cause should produce total revenues which will recover: 1) the revenues produced by present interexchange rates, including toll, EAS and FX rates, for calling between the exchanges and zones; and 2) the annual costs of implementing the Wide Area Calling Plan (primarily the additional switching and trunking equipment required to provide the service) as reflected in Scenario 5 (included in Attachment No. 1 to Mr. Hutton's testimony) and more fully explained in the ORTC's response in this cause filed on March 8, 1991. These costs have been identified by the respective companies and provided to the Oklahoma Corporation Commission.

He further recommended that the revenues which cover these total costs, whether produced by rates that are usage sensitive or flat-rate, should continue to be classified as toll revenues and fully subject to toll pooling in accordance with the Commission's existing policies and orders.

Mr. Hutton testified that SWBT has positioned their argument as a local versus toll classification issue, with the belief that if the Commission will call the service local it will preclude the LECs continuing to pool the revenue and related costs and thereby allow SWBT to receive the windfall benefits of that change. Mr. Hutton further stated that the Commission has no limitation with respect to continuing to pool the revenues from the WACP service. He reaffirmed the ORTC's position as that the service is toll presently and that by pricing the service in a different manner (non-usage sensitive) does not change that fact. However, even if the Commission chooses to rename the WACP service to local, it is of no significance so long as the service remains subject to intrastate pooling.

Mr. Hutton further testified that the FCC's Uniform System of Accounts and the FCC's cost separations procedures, Parts 32 and 36 respectively of the FCC's Rules and Regulations are tools of the regulators, not as SWBT would have you believe, that the regulators are tools of these procedures. He indicated that these rules reflect the history of certain regulatory actions and the orders of regulatory Commissions prevail over any historical reflection embodied in these rules and procedures. Mr. Hutton further indicated that under the Commission Interim orders in the WACP cases, which override the procedures reflected in Part 32 and Part 36, the individual LECs will account for the revenue jurisdictionally as toll in accordance with the Commission's Order. Likewise, the LECs will treat the related usage as toll as ordered by the Commission for purposes of cost allocation. Part 32 Accounting Rules allow for these revenues to be booked as toll and Part 36 Cost Allocation rules likewise can continue to allocate the costs to the toll pool. The FCC Part 32 accounting procedures and Part 36 cost allocation procedures in no way preclude the Commission from ordering that the revenues and related costs continue to be pooled in order to achieve its public interest objectives.

Mr. Hutton further testified to the twelve pool simulations or scenarios performed by the LECs. He stated that it does not take extensive analysis of these to see that the results of Scenarios 1 through 4 are unacceptable and inequitable between companies, irrespective of whether the revenues are or are not pooled. After having identified these unacceptable results in prior simulations for the "pie-shaped" plan, the independent LECs recognized the need to also run Scenarios 5 and 6 as well as Line 3, the pool make-whole revenue calculation.

Mr. Hutton testified that Scenario 5 (and 6) identifies the best opportunity of achieving "make-whole" of the pool, with the least impact between companies, and at the lowest possible rates, without inappropriately impacting other ratepayers in Oklahoma.

Mr. Hutton indicated that the ORTC companies have always stated that continued pooling was desired to maintain equity, not to create a windfall. In recognition of the Commission Staff's stated objectives, that the continued pooling maintain the status quo, the ORTC proposed the alternative of neutralizing the stimulation effect on cost separation factors and average schedule message volumes. Mr. Hutton further indicated that one of the benefits of pooling and separations is its flexibility. Cost separations procedures have always been adjustable and flexible to respond to changing conditions in technology, regulation, and other factors.

Mr. Hutton testified that he believed that the suggestions the ORTC has made regarding separations factors and stimulation are permissible within the direct assignment doctrine used within the separations process. He further identified some existing factors used in the separations process based on the direct assignment doctrine which are deviations from the usage doctrine that are inherent in separations (i.e. the interstate gross allocator, DEM weighting factors, surrogate usage for unmeasured and therefore flat-rated non-premium access services, and the phase-down SPF currently being used in the Oklahoma pools by negotiated agreement with Southwestern Bell and approval of the Commission).

Mr. Hutton further stated that the Commission has already ordered the LECs to implement the pooling of the Medicine Park/Lawton Calling Plan in a manner which avoids windfalls to Southwestern Bell or Medicine Park Telephone Company. The LECs will carry out that Order and in doing so will establish appropriate cost separations and average schedule procedures that will be equitable and can be uniformly applied for pooling the revenues and costs associated with the Tulsa Calling Plan.

In its Statement of Position, the <u>Office of the Oklahoma Attorney General</u> urged the Commission to reconsider whether it is in the public's interest to waive the polling requirements of the EAS rules in developing wide-area calling plans for the Tulsa, Oklahoma City and Lawton areas, and in all other pending applications for EAS. The Attorney General went on to state that the polling requirements of the EAS rules provide the only objective test for determining whether there is community of interest such that the majority of local subscribers are willing to pay the higher local telephone bills for extending their local calling scope.

In addition, the Attorney General expressed concern over the possibility of the Commission's viewing SWBT's Telestate 21 proposal (Cause No. PUD 000837) as a source of funding the wide-area calling plan proposed in this Cause. The Attorney General expressed concern that SWBT's current Telestate 21 proposal is unconstitutional and urged that the Commission not tie funding of this Cause to the Telestate 21 proposal. The Attorney General also urged the Commission not to foreclose the possibility of using any excessive revenues of SWBT for other purposes such as decreases in local service rates or statewide toll rates.

In addition to the foregoing evidence, the Commission received a great deal of input from the public regarding the proposed Tulsa wide-area calling plan. This input took the form of letters to the Commissioners as well as appearances at the Technical Conference and the hearing on the merits. The majority of the members of the public supported the proposal and indicated a willingness to pay the additional costs necessary to implement the plan. Included among these were both residential and business customers, as well as several State Legislators representing the affected areas. Additionally, a Tulsa radio station conducted a "call in" poll and urged the customers to call either the radio station or the Commission with their "vote" either for or against the WACP. The majority of those casting their "vote" were in favor of the WACP.

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN RE: INQUIRY OF THE OKLAHOMA CORPORATION COMMISSION CONCERNING THE DEVELOPMENT OF A COMPREHENSIVE WIDE-AREA CALLING PLAN FOR THE OKLAHOMA CITY EXTENDED TELEPHONE SERVICE AREA.	))))))	CAUSE NO. PUD 000975

HEARINGS: April 24, 1991, Before the Commission en banc

APPEARANCES: Glen A. Glass and Nancy L. Coats, Attorneys for Southwestern Bell Telephone Company;

Ron Comingdeer, Attorney for the Oklahoma Rural Telephone Coalition;

J. Cody Wilbanks and William G. Mundy, Attorneys for GTE Southwest, Inc.;

Cheryl Clayton and Cindee Pichot, Attorneys for the City of Noble, Oklahoma;

Cody B. Waddell, Attorney for the Oklahoma Communication Systems, Inc.;

Robert A. Butkin and Alice S. Mitchell, Assistant Attorney Generals; and

Rick D. Chamberlain, Assistant General Counsel, Oklahoma Corporation Commission

PROCEDURAL HISTORY

The Commission issued its Notice of Inquiry herein on September 7, 1990, seeking comments from all interested parties on a number of issues relating to the development of a 35-mile radius comprehensive wide-area calling plan for the Oklahoma City extended telephone service area. The Notice of Inquiry was served upon each Applicant (and their representatives where applicable) with a currently pending Application for Extended Area Services ("EAS") into the existing Oklahoma City telephone service area. The Notice of Inquiry was also served upon the mayors and State Senators and Representatives representing the areas included within the proposed wide-area calling area. The Notice of Inquiry was also served upon representatives of every local exchange telephone company which receives revenues from the Oklahoma intraLATA toll and surcharge pools. Finally, the Notice of Inquiry was served upon various other parties interested in the telephone industry within the State of Oklahoma, including the Attorney General of the State of Oklahoma.

MCI Telecommunications Corporation ("MCI") filed a Petition for Intervention. Written comments were subsequently filed by Southwestern Bell Telephone Company ("SWBT"), the Oklahoma Rural Telephone Coalition ("ORTC"), GTE Southwest, Inc. ("GTE-SW"), the City of Noble, Oklahoma, and Oklahoma Communication Systems, Inc. ("OCSI"). A Statement of Position was also filed on behalf of Robert H. Henry, Attorney General for the State of Oklahoma. A number of letters from members of the public were also received by the Commission.

On February 12, 1991, an informal technical conference was held to discuss the appropriate costs to be recovered, the appropriate revenue recovery mechanisms, the appropriate rate design, and other topics relating to the proposed wide-area calling plan. Members of the public as well as representatives from the various affected telephone companies participated in the technical conference.

Prefiled direct testimony was filed on behalf of the ORTC, GTE-SW, SWBT and the Commission's Public Utility Division. The hearing on the merits was held before the Commission en banc on April 24, 1991. At the outset of the hearing, MCI's intervention was heard and granted. Messrs. Willie J. Hollins and Steve Wilt then testified on behalf of the Commission's Public Utility Division ("Staff"). The local exchange telephone companies then announced an agreement among themselves not to call any witnesses, to rely on their respective prefiled testimony, and to waive cross-examination of their respective witnesses. There was no objection by counsel for the other parties. After taking public comment, the record was closed and the matter taken under advisement by the Commission.

SUMMARY OF EVIDENCE

Willie J. Hollins, Tariff and Cost of Service Coordinator, testified on behalf of the Commission's Staff. Mr. Hollins testified that if the Commission were to grant flat-rate, non-optional calling within the proposed 35-mile radius circle, the affected local exchange companies would experience an annual intraLATA toll revenue loss of approximately $14,033,527.20. These revenues are currently pooled in the IntraLATA Toll Pool. Mr. Hollins also testified that the companies would experience an additional revenue loss of approximately $811,773.04 from current foreign exchange service ("FX service"). Of this amount, approximately $587,395.00 is currently considered as pooled revenue while the remaining $224,378.04 is considered local revenue and is not pooled. Mr. Hollis estimated that the total revenue requirement for the proposed wide-area calling plan, including revenue losses and additional facilities cost, would be approximately $15,268,226.20.

Mr. Hollins recommended that lost local revenues be recovered through rate adjustments. He also recommended that lost intraLATA toll and pooled FX revenues continue to be pooled. Mr. Hollins also recommended that the wide-area calling plan not be implemented until completion of SWBT's currently pending rate case (Cause No. PUD 000662) and GTE-SW's currently pending rate review (Cause No. PUD 000260), assuming these cases can be completed within a reasonable time period. Mr. Hollins testified that this would allow the Commission to design rates based upon these companies' actual jurisdictional earnings and may reveal additional revenue streams for funding all or part of the wide-area calling plan.

Mr. Hollins also recommended that any additional revenue needs be recovered through uniform rates in each exchange or zone by company. Mr. Hollins testified that these rates would be developed in two steps. First, the exchange rates by individual company would be raised to that company's highest tariffed exchange rate. Second, an additional rate additive should be calculated as required to generate the remainder of the plan's revenue requirement. Mr. Hollins recommended that this additional additive be uniform throughout the wide-area calling scope and that the business line additive should be three times the residential additive. Mr. Hollins did recommend that no additive be added to customers of OCSI's Jones and Choctaw exchanges because of the high local rates they are currently paying for EAS with Oklahoma City.

On cross-examination by counsel for OCSI, Mr. Hollins indicated that he would have no objection to reducing the rates for the Jones and Choctaw exchanges to rates comparable to OCSI's other exchanges. However, Mr. Hollins stated that he did not know how such a significant local rate reduction could be funded. On redirect examination, Mr. Hollins affirmed that OCSI was free to file an application for rate reduction at any time if it believed that its rates for the Jones and Choctaw exchanges were too high.

Steve Wilt, Public Utility Services Coordinator, also testified on behalf of the Commission's Staff. Mr. Wilt testified that he had reviewed the switching and trunking cost figures provided by the telephone companies in this Cause for implementation of the proposed wide-area calling plan. Mr. Wilt further testified that he had accepted the cost estimating procedures and cost estimates provided by the companies in this Cause.

Mr. Wilt characterized these cost estimates as "broad gauge estimates" but stated that they are acceptable for planning and initial rate setting purposes. Mr. Wilt stated that the actual costs of the plan can only be determined after the proposed service is provided. These actual costs can then be used to "true up" the estimated costs and the initial rates.

Mr. Wilt estimated that the additional switching and trunking costs for the proposed wide-area calling plan would be approximately $7,692,118, consisting of $6,814,223 in additional investment and $877,895 in other charges. Mr. Wilt's estimate assumed a new network and seven-digit dialing.

Mr. Wilt also recommended that if the Commission authorizes the proposed Oklahoma City wide-area calling plan, the Commission's Staff should monitor the switching and trunking costs, and any other relevant cost and usage figures, after the service has been installed and operational for one year. This will provide actual cost information which can be used to adjust the estimating procedures and future rate designs.

C. Roger Hutton, co-owner of the consulting firm of Cathey, Hutton and Associates, filed testimony on behalf of the ORTC. Mr. Hutton testified that at present the facilities of the six telephone companies providing service within the proposed 35-mile radius circle are interconnected and the customers of the various companies can call one another under various pricing schemes. Some customers can call certain portions of the proposed area and be charged only their basic flat local exchange rate plus an additive for existing extended area service ("EAS") arrangements. Still other customers can call certain portions of the proposed area and be charged measured toll rates over and above their basic local exchange rate.

Mr. Hutton testified that the toll revenues from these interexchange calls are currently remitted to the Oklahoma IntraLATA Toll Pool and the Oklahoma Surcharge Pool in accordance with prior orders of the Commission. All local exchange telephone companies subject to the Commission's pooling orders receive a distribution of the revenues from these pools in order to cover their respective costs for providing interexchange toll services.

Mr. Hutton recommended that if the Commission orders the creation of a 35-mile radius calling scope, the rates for calling between the zones and exchanges encompassed by the Notice of Inquiry should be set at a level which would recover the lost revenue from the present usage sensitive interexchange rates, including toll and FX rates, plus the additional switching and trunking costs of the requested service as reflected in "Scenario 5" attached to the ORTC's Comments filed herein. That scenario assumes usage of the existing telecommunication network, 7 digit dialing, pooling of the revenues and related costs, and does not include stimulated usage in the cost allocation factors for pooling.

Mr. Hutton further recommended that the replacement revenues remain classified as interexchange toll and reported to the Oklahoma toll pools in accordance with prior orders of the Commission. Mr. Hutton further recommended that the Commission order that stimulated usage not be allowed to increase the allocation of costs to the toll pools unless the Commission sets the total wide-area calling plan revenue requirement in accordance with "Scenario 3" attached to ORTC's Comments herein. That scenario assumes a new local network, 7 digit dialing, continued pooling of revenues and related costs, and the inclusion of stimulated usage.

Mr. Hutton also recommended that in making its decision in this Cause, the Commission should consider the cumulative impact of this plan and the wide-area calling plans currently being considered for the Tulsa area (Cause No. PUD 000899) and the Lawton area (Cause No. PUD 000974). Mr. Hutton also recommended that the Commission consider the precedential impact which its decision in these dockets will have on any future application for EAS or another wide-area calling plan. Mr. Hutton indicated that it might be more appropriate for the Commission to consider other alternatives such as an optional plan or a smaller calling scope.

<u>Dana T. Bolin</u>, Area Regulatory and Industry Affairs Director, filed testimony on behalf of GTE-SW. Mr. Bolin recommended that if the Commission approves the proposed 35-mile radius wide-area calling plan, the calling between the existing Oklahoma City local calling scope and the added exchanges should continue to be included in the IntraLATA Toll Poll and Surcharge Pool for the foreseeable short term. However, Mr. Bolin recommended that ultimately, pooling of EAS and wide-area calling revenues and costs should be discontinued.

Mr. Bolin recommended that the revenue losses and additional costs which would result from the adoption of the proposed wide-area calling plan should be recovered through a uniform EAS additive which would be charged to all customers within the 35-mile radius. This EAS additive should be included in the IntraLATA Toll Pool. Mr. Bolin testified that this proposal would keep the Pool's earnings level and the participating local exchange companies revenue neutral for pooling purposes.

Mr. Bolin further testified that his recommendation is not a permanent solution but represents the most expedient and easily administered mechanism to handle the immediate situation. Mr. Bolin testified that the industry should continue to work toward resolving problems in the current pooling environment.

Finally, Mr. Bolin disagreed with Mr. Hutton's recommendation regarding the treatment of stimulated usage resulting from the proposed plan. Mr. Bolin testified that Mr. Hutton's proposal is contrary to the logic of the separations process and will distort the results produced in other jurisdictions. In addition, Mr. Bolin testified that Mr. Hutton's proposal would result in under-recovery of a company's total costs of providing wide-area calling services and this under-recovery would have to be recovered through local rates.

<u>James L. Graham</u>, Staff Administrator - Toll Pricing, also filed testimony on behalf of GTE-SW. Initially, Mr. Graham recommended that if the Commission approves the proposed wide-area calling plan, GTE-SW

be allowed to maintain the existing toll-free calling scopes between its affected exchanges, including the Purcell/Wayne route. Mr. Graham then discussed various traffic studies performed by GTE-SW on the usage in its affected exchanges and concluded by stating that GTE-SW does not support any flat-rate, two-way non-optional expansion of the calling scopes of its exchanges. However, Mr. Graham indicated that GTE-SW is willing to support the wide-area calling plan proposed in this Cause provided the Commission is willing to grant rate increases which will compensate GTE-SW for its revenue losses and additional investment.

Mr. Graham quantified GTE-SW's estimated revenue losses and additional investment and other costs. He then discussed the rates which GTE-SW had developed for each of the six scenarios developed by the affected local exchange companies. Mr. Graham recommended that the Commission adopt the rates and charges adopted by GTE-SW for "Scenarios 3 and 3a." Scenario 3 assumes a new, dedicated network, pooling of the associated investments, expenses and revenues, and recognition of stimulated usage for both cost separations and pooling purposes. Scenario 3a would also create enough additional revenues to maintain the "Pools" test period base level rates of return. Mr. Graham further recommended that the rate structure result in a uniform EAS additive throughout the 30 exchanges included in the proposed wide-area calling plan.

Mr. Graham explained why GTE-SW does not believe that the proposed wide-area calling plan is in the best interests of the customers involved. He testified that the most economical and efficient means of providing telecommunication services between the exchanges involved in this Cause is the existing toll arrangement with minutes-of-use pricing and/or the implementation of optional calling plans.

Thomas A. Weckel, Area Manager - Rates and Tariffs, filed testimony on behalf of SWBT. Mr. Weckel stated SWBT's position that the wide-area calling plan proposed in this Cause should be treated as a local service rather than a toll service. Mr. Weckel further recommended that the proposed wide-area calling service be provided over a new dedicated network rather than over the existing network.

Mr. Weckel quantified the revenue loss and additional investment to SWBT under the proposed plan. To recover these costs, Mr. Weckel recommended first of all that the basic service rates for all SWBT customers within the wide-area calling scope be raised to the current Oklahoma City rate levels. SWBT's remaining revenue requirements would be recovered through a monthly surcharge to SWBT's customers within the 35-mile radius circle. Mr. Weckel recommended that each of the other five (5) local exchange companies involved in this Cause recover their costs from their customers using the same approach as SWBT.

Mr. Weckel further recommended that the resulting rate increases and surcharges for wide-area calling should not be pooled but should be treated as local revenue. Finally, Mr. Weckel discussed the proposals of the other affected local exchange companies and outlined SWBT's disagreement with them.

John P. Lube, District Manager - Separations and Settlements, also filed testimony on behalf of SWBT. The purpose of his testimony was to demonstrate that the rate additives associated with the proposed wide-area calling plan are local service revenues and not toll revenues. Mr. Lube concluded by summarizing the results of the pooling simulations done by the six (6) local exchange companies involved in this Cause. Mr. Lube testified that neither the pools nor the cost companies were kept whole in the pooled scenarios 1 and 3. Mr. Lube further testified that the losses shown for all involved companies in the non-pooled scenarios 2 and 4 could be offset with bill-and-keep wide-area calling plan revenues. Finally, Mr. Lube testified that while the pools and some of the local exchange companies were kept more nearly whole in the pooled scenarios 5 and 6, these two scenarios are improper and impracticable and should not be adopted by the Commission.

In its Statement of Position, the Office of the Oklahoma Attorney General urged the Commission to reconsider whether it is in the public's interest to waive the polling requirements of the EAS rules in developing wide-area calling plans for the Tulsa, Oklahoma City and Lawton areas, and in all other pending applications for EAS. The Attorney General went on to state that the polling requirements of the EAS rules provide the only objective test for determining whether there is a community of interest such that the majority of local subscribers are willing to pay the higher local telephone bills for extending their local calling scope.

In addition, the Attorney General expressed concern over the possibility of the Commission's viewing SWBT's Telestate 21 proposal (Cause No. PUD 000837) as a source of funding the wide-area calling plan proposed in this Cause. The Attorney General expressed concern that SWBT's current Telestate 21 proposal is unconstitutional and urged that the Commission not tie funding of this Cause to the Telestate 21 proposal. The Attorney General also urged the Commission not to foreclose the possibility of using any excessive revenues of SWBT for other purposes such as decreases in local service rates or statewide toll rates.

In addition to the foregoing evidence, the Commission received a great deal of input from the public regarding the proposed wide-area calling plan. This input took the form of letters to the Commissioners as well as appearances at the Technical Conference and the hearing on the merits. Almost without exception, the members of the public supported the proposal and indicated a willingness to pay the additional costs necessary to implement the plan. Included among these were both residential and business customers, as well as several State Legislators representing the affected areas. In fact, there was virtually no opposition to the proposed plan from the members of the public.

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF LARRY A. SCHROEDER, ACTING DIRECTOR OF THE PUBLIC UTILITY DIVISION, OKLAHOMA CORPORATION COMMISSION, FOR THE DEVELOPMENT OF A COMPREHENSIVE PRICING PLAN FOR THE LAWTON EXTENDED TELEPHONE SERVICE AREA.	)))))))	CAUSE NO. PUD 000974

HEARING: May 8, 1991 before the Commission en banc

APPEARANCES: John W. Gray, Assistant General Counsel, Oklahoma Corporation Commission
Nancy L. Coats, Attorney for Southwestern Bell Telephone Company
Ron Comingdeer, Attorney for Oklahoma Rural Telephone Coalition
Cody B. Waddell, Attorney for Oklahoma Alltel and Oklahoma Communication Systems Inc.
Cody Wilbanks Attorney for GTE-SW
William Bullard, Attorney for Chouteau Telephone Company, Total Telephone Company, Pottawatomie Telephone Company and Cross Telephone Company
Alice Mitchell, Assistant Attorney General

PROCEDURAL HISTORY

On September 7, 1990, Larry A. Schroeder, Acting Director of the Public Utility Division, caused the above-entitled Notice of Inquiry to be filed. The Notice solicited comments and suggestions for consideration in developing and implementing a comprehensive wide-area calling plan for the Lawton telephone service area, which includes all exchanges with a rate center within a 20 mile radius of the Lawton rate center. These exchanges were: Apache, Cache, Chattanoga, Elgin, Fletcher, Indiahoma, Lawton, Medicine Park, Sterling and Walters.

On October 3, 1990, MCI Telecommunications Corporation (MCI) filed a Petition for Intervention. Specifically, MCI requested that the Commission issue an order permitting it to intervene in the cause and fully participate.

On March 18, 1991, in response to the Notice of Inquiry, written comments were received by the Commission Court Clerk's Office. Comments were received from Southwestern Bell Telephone Company (SWBT), General Telephone of the Southwest (GTE-SW), Oklahoma Communications Systems, Inc. (OCSI), Oklahoma Rural Telephone Coalition (ORTC), and the Attorney General. A technical conference was held March 22, 1991 with all interested persons present.

On May 8, 1991, A hearing was held before the Commission en banc to address issues raised in the Notice of Inquiry. During the hearing, the Commission denied MCI's Petition for Intervention for failure to be present and prosecute its motion. The remainder of the cause was taken under advisement.

SUMMARY OF EVIDENCE

Willie J. Hollins - Tariff and Cost of Service Coordinator in the Public Utility Division Economic Policy Department, Oklahoma Corporation Commission testified on behalf of the Commission Staff. Mr. Hollins testified that the total revenue requirement including lost toll revenue, FX revenues and new facility cost would be $1,790,309. Further Mr. Hollins testified that the preferable way to recover the lost revenues is from local rates. Further Mr. Hollins testified that the lost toll revenue, along with the lost FX revenue ($1,547,634.73) should be polled in the IntraLATA toll pool. Further, Mr. Hollins recommended that the Commission not implement the proposed wide-area plan until after the Commission has had an opportunity to address SWBT's rate case in Cause No. PUD 000662 and GTE's Tax Reform Act Case in Cause No. PUD 000260. Finally, Mr. Hollins adopted his prefiled testimony as a part of his direct testimony herein.

Steve Wilt - Coordinator-Technical Evaluations in the Technical Evaluation and Consumer Service Department of the Public Utility Division, Oklahoma Corporation Commission adopted his prefiled-testimony as his direct testimony herein. In his prefiled testimony, Mr. Wilt stated that he had reviewed the cost estimates provided by the telephone companies and determined the cost estimates to be accurate.

C. Roger Hutton - Consultant for Oklahoma Rural Telephone Coalition, adopted his prefiled testimony as his direct testimony. In his prefiled testimony, Mr. Hutton recommended that if the Commission grants the wide area calling plan (WACP), that the Commission establish rates that will recover the lost toll and FX revenue and the annual cost of implementation (primarily the additional switching and trunking costs required to provide the service). Further Mr. Hutton recommended that the revenues generated by the WACP be treated as toll and continue to be pooled in the IntraLATA Toll Pool and Surcharge Pool.

Dana T. Bolin - Area Regulatory & Industry Affairs Director of GTE-SW adopted his prefiled testimony as his direct testimony. In Mr. Bolin's prefiled testimony he explained how the IntraLATA Toll Pool and Surcharge Pool operate. Further, Mr. Bolin stated that for the foreseeable short term future the revenue generated by the WACP should be included in the toll pools, but that ultimately wide area calling revenues should not continue to be pooled.

James R. Graham - Staff Administrator - Toll Pricing for GTE-SW, adopted his prefiled testimony as his direct testimony herein. In Mr. Graham's prefiled testimony he stated that GTE-SW was not in support of the proposed WACP because the calling pattern from its Chattanooga exchange indicated that very few call are made by Chattanooga subscribers into the other exchanges within the proposed 20 mile radius. Mr. Graham further stated that GTE-SW's total annual lost billed revenue which is at risk is $41,658, all from Message Toll Service. Further Mr. Graham stated that there would be additional expense and investment necessary to change-out its central office and increase trunking. Mr. Graham estimates the annual revenue requirement to be $264,527 if the WACP is carried on the same trunk groups as the remaining toll or $266,616 if a dedicated network is created.

Thomas A Wechel - Area Manager - Rates and Tariffs for SWBT, adopted his prefiled testimony as his direct testimony herein. In Mr. Wechel's testimony he stated that the proposed WACP should be considered local service as opposed to being toll service. Also he recommended that a dedicated network be established for the WACP. Mr. Wechel explained that although costs shared in the pool study indicate that a dedicated network is slightly more expensive, the additional expense to attempt to resolve the inability to separately measure the usage for dissimilar services on the existing toll network would outweigh the small difference in incremental investment. Mr. Wechel further stated that the total lost toll and FX revenues would be $1,471,000. Further, Mr. Wechel stated that there would be another $680,000 required annually to meet the revenue requirement for increased investment and expenses. SWBT estimates that the total revenue requirement to provide a toll-free calling for all exchanges with a rate center which is within a 20 mile radius of the Lawton rate center is $2,151,000.

John P. Lube - District Manager - Separations and Settlement for SWBT, adopted his prefiled testimony as his direct testimony in this cause. In Mr. Lube's prefiled testimony, he stated the purpose of his testimony was to demonstrate that the rate additives associated with providing the WACP for Lawton are local service revenues and not toll revenues and therefore the revenues should not be pooled. Further Mr. Lube stated that the Uniform Systems of Accounts (USOA) adopted by FCC, states that any expansion of a calling scope is considered local service. Further, Mr. Lube stated that all of the Oklahoma LECs have also adopted the USOA. Finally, Mr. Lube identified 12 possible scenarios concerning the impact on all LECs of pooling the revenues from the Lawton WACP.

In its Statement of Position, the Office of the Oklahoma Attorney General urged the Commission to reconsider whether it is in the public's interest to waive the polling requirements of the EAS rules in developing wide-area calling plans for the Tulsa, Oklahoma City and Lawton areas, and in all other pending applications for EAS. The Attorney General went on to state that the polling requirements of the EAS rules provide the only objective test for determining whether there is a community of interest such that the majority of local subscribers are willing to pay the higher local telephone bills for extending their local calling scope.

In addition, the Attorney General expressed concern over the possibility of the Commission's viewing SWBT's Telestate 21 proposal (Cause No. PUD 000837) as a source of funding the wide-area calling plan proposed in this Cause. The Attorney General expressed concern that SWBT's current Telestate 21 proposal is unconstitutional and urged that the Commission not tie funding of this Cause to the Telestate 21 proposal. The Attorney General also urged the Commission not to foreclose the possibility of using any excessive revenues of SWBT for other purposes such as decreases in local service rates or statewide toll rates.

In addition to the foregoing evidence, the Commission received a great deal of input from the public regarding the proposed wide-area calling plan. This input took the form of letters and telephone calls to the Commissioners and Commission Staff as well as appearances at the hearing on the merits. Almost without exception, the members of the public supported the proposal and indicated a willingness to pay the additional costs necessary to implement the plan. Included among these were both residential and business customers representing the affected areas. In fact, there was virtually no opposition to the proposed plan from the members of the public.